

KENAI LOOP UNIT AGREEMENT

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RECITALS

The purpose of this Agreement is to conserve natural resources and effect efficient and timely production of oil and gas.

The Working Interest Owner who is party to this Agreement is owner of the interest in oil and gas leases subject to this Agreement.

The Commissioner of the Department of Natural Resources, State of Alaska, is authorized by Alaska Statute 38.05.180(p) and (q) and applicable regulations to consent to and approve oil and gas unit agreements to explore, develop and produce state oil and gas resources.

The Executive Director of the Trust Land Office ("TLO") has the authority to consent to and approve oil and gas unit agreements affecting oil and gas leases in which the Alaska Mental Health Trust Authority has an interest.

The President of Cook Inlet Region, Inc. has the authority to consent to and approve oil and gas unit agreements affecting oil and gas leases in which CIRI has an interest.

The other Leasehold Royalty Owners who are parties to this agreement are authorized to consent to and approve oil and gas unit agreements affecting oil and gas leases in which they have an interest.

AGREEMENT

In consideration of the mutual promises in this Agreement, the parties commit their respective interests in the Unit Area defined in Exhibit A and depicted in Exhibit B to this Agreement, and agree as follows:

ARTICLE 1: DEFINITIONS

1.1 **Agreement** means this Kenai Loop Unit Agreement after execution by the Working Interest Owner and approval by the Commissioner, Executive Director and the President.

1.2 **Alaska Oil and Gas Conservation Commission (AOGCC)** means the independent quasi-judicial agency of the State of Alaska established by the Alaska Oil and Gas Conservation Act, Alaska Statute 31.05.

1.3 **Approved Unit Plan** means a plan of exploration, plan of operations or plan of development that the Proper Authority has approved under Article 8 of this Agreement.

1.4 **Alaska Mental Health Trust Authority** ("The Trust") means the state corporation that owns lands and natural resources in the State of Alaska and was created to administer the Alaska Mental Health Trust established pursuant to the Alaska Mental Health Enabling Act (P.L. 84-830 (70 Stat. 709)) passed by Congress in 1956.

1.5 **CIRI** means the Cook Inlet Region, Inc. created pursuant to the Alaska Native Claims Settlement Act of 1971 (Public Law 92-203, 43 U.S.C. Sec. 1601, et seq., as amended).

1.6 **CIRI Land** means land as to which CIRI owns the oil, gas and minerals in and under such land, submerged or not.

1.7 **CIRI Lease** means an oil and gas lease covering CIRI Land only.

1.8 **Commissioner** means the Commissioner of the Department of Natural Resources, State of Alaska, or the Commissioner's authorized representative.

1.9 **Effective Date** means the time and date this Agreement becomes effective under Article 15.1 of this Agreement.

1.10 **Executive Director** means the Executive Director of the Trust Land Office, or the Executive Director's designee.

1.11 **Exploration Block** means a block of Unit Tracts within the Unit Area that are combined for purposes of exploration.

1.12 **Lease or Leases** means one or more oil and gas leases subject to this Agreement.

1.13 **Oil and Gas Rights** means the rights to explore, develop, and produce Unitized Substances.

1.14 **Outside Unit Substances** means oil, gas, and other hydrocarbons and non-hydrocarbon substances obtained from outside the Unit Area and injected into a Reservoir in the Unit Area with the approval of the Proper Authority.

1.15 **Outside PA Substances** means oil, gas, and other hydrocarbons and non-hydrocarbon substances obtained from one Participating Area in the Unit Area and injected into a Reservoir in a different Participating Area in the Unit Area with the approval of the Proper Authority.

1.16 **Overriding Royalty Interest** means an interest in the value of oil and gas produced at the surface. An Overriding Royalty Interest is derived from a Working Interest. An Overriding Royalty is derived from a Working Interest and is not connected to ownership of the land or minerals. Overriding Royalty Interest owners are not proper parties to this Unit Agreement; nor are they third-party beneficiaries; nor do they have any rights to enforce the terms of this Unit Agreement or any of the oil and gas leases unitized hereunder.

1.17 **Participating Area** means all Unit Tracts and parts of Unit Tracts designated as a Participating Area under the provisions of Article 9 of this Agreement to allocate Unitized Substances produced from a Reservoir.

1.18 **Participating Area Expense** means all costs, expenses or indebtedness, incurred by the Unit Operator under this Agreement or the Unit Operating Agreement for or on account of production from or operations in a Participating Area and allocated solely to the Unit Tracts in that Participating Area.

1.19 **Paying Quantities** means a quantity of Unitized Substances sufficient to yield a return in excess of operating costs, even if drilling and equipment costs may never be repaid and the undertaking considered as a whole may ultimately result in a loss. The quantity is insufficient to yield a return in excess of operating costs unless it will produce sufficient revenue, not considering transportation and marketing, to induce a prudent operator to produce it.

1.20 **President** means the President of CIRC or the President's designee.

1.21 **Proper Authority** means, depending upon the context, the Commissioner, the Executive Director or the President, or all three, who has approval authority in a particular instance. Unless otherwise specified, the Proper Authority shall be (a) the President, if only CIRC Land is directly implicated; (b) the Commissioner, if only State Land is directly implicated; and (c) the Executive Director, if only Trust Authority Land is directly implicated; and (d) the President, the Commissioner and the Executive Director, if CIRC Land, State Land, and Trust Authority Land are directly implicated.

1.22 **Reservoir** means that part of the Unit Area containing an accumulation of Unitized Substances which has been discovered by drilling and evaluated by testing a well or wells, and which is geologically separate from and not in hydrocarbon communication with any other oil and gas accumulation.

1.23 **Royalty Interest** means an ownership right to or interest in the amount or value of Unitized Substances other than a Working Interest.

1.24 **State** means the State of Alaska acting in this Agreement through the Commissioner.

1.25 **State Land** means land in which the State owns the oil, gas and minerals in and under the land, or "state land" or "land" as defined in AS 38.05.965.

1.26 **State Lease** means an oil and gas lease covering only State Land.

1.27 **Sustained Unit Production** means continuing production of Unitized Substances from a well in the Unit Area into production facilities and transportation to market, but does not include testing, evaluation, or pilot production.

1.28 **The Trust** means the Alaska Mental Health Trust Authority acting in this Agreement through the Executive Director of the Trust Land Office.

1.29 **Trust Land** means land for which The Trust owns the oil, gas and minerals in and under such land, submerged or not.

1.30 **Trust Lease** means an oil and gas lease covering only Trust Land, or an oil and gas lease covering land jointly owned by The Trust and the State.

1.31 **Trust Land Office** ("TLO") means the unit attached to the State of Alaska, Department of Natural Resources that acts as the agent for and on behalf of the Alaska Mental Health Trust Authority.

1.32 **Unit Area** means the land subject to this Agreement, described in Exhibit A and depicted in Exhibit B to this Agreement.

1.33 **Unit Equipment** means all personal property, Lease and well equipment, plants, platforms and other facilities and equipment used, taken over or otherwise acquired for use in Unit Operations.

1.34 **Unit Expense** means all costs, expenses or indebtedness incurred by the Unit Operator for Unit Operations, except for Participating Area Expense.

1.35 **Unit Operating Agreement** means any and all agreements entered into by the Unit Operator and the Working Interest Owners, as described in Article 7 of this Agreement.

1.36 **Unit Operations** means all operations conducted under this Agreement in accordance with an Approved Unit Plan.

1.37 **Unit Operator** means the party designated by the Working Interest Owner and approved by the Commissioner, Executive Director and the President to conduct Unit Operations.

1.38 **Unit Plan** means a unit plan of exploration, development, or operation as described in Article 8 of this Agreement.

1.39 **Unit Tract** means each separate parcel of land that is described in Exhibit A and given a Unit Tract number.

1.40 **Unit Tract Participation** means the percentage of Unitized Substances allocated to a Unit Tract in a Participating Area.

1.41 **Unit Well** means a well drilled within the Unit Area after the effective date of this Agreement unless specifically authorized by the Commissioner, Executive Director and President.

1.42 **Unitized Substances** means all oil, gas and associated substances as defined in Leases committed to the Unit Area or produced from the Unit Area, except for coalbed methane.

1.43 **Working Interest** means the interest held in lands by virtue of a Lease, operating agreement, fee title or otherwise, under which the owner of the interest is vested with the right to

explore for, develop and produce minerals; the right delegated to a Unit Operator by a unit agreement is not a working interest.

1.44 **Working Interest Owner** means a party who owns a Working Interest.

ARTICLE 2: EXHIBITS

2.1 When this Agreement is submitted for approval, only Exhibits A, B, and G must be attached. Exhibit F is also required when this Agreement is submitted if the Unit Area includes net profit share leases. Exhibits C, D, E, and F are required when a Participating Area application is submitted for approval. All Exhibits are, upon approval by the Commissioner, Executive Director and the President, made a part of this Agreement. The Unit Operator shall supply all Exhibits.

2.2 Exhibit A is a table that identifies and describes each Unit Tract and displays: the Unit Tract numbers, legal descriptions, Lease numbers, Working Interest ownership, Royalty Interest ownership, initial Overriding Royalty Interest ownership, and the applicable royalty and net profit share rates applicable to each Unit Tract. Within 30 days after approval by the Commissioner and the President of any expansion or contraction of the Unit Area under Article 14 of this Agreement, or any change of the Working Interest, Royalty Interest, or the creation of a new Overriding Royalty Interest in any Unit Tract, the Unit Operator shall submit a revised Exhibit A to the Commissioner, Executive Director and to the President.

2.3 Exhibit B is a map that shows the boundary lines of the Unit Area and of each Unit Tract, identified by Unit Tract number and Lease number. Within 30 days after the Commissioner, Executive Director and the President approve any expansion or contraction of the Unit Area under Article 14 of this Agreement, the Unit Operator shall submit a revised Exhibit B to the Commissioner, Executive Director and to the President.

2.4 Exhibit C is comprised of a table for each Participating Area established under this Agreement. The Exhibit C table for each Participating Area must display the Unit Tract numbers, legal descriptions, Lease numbers, Working Interest ownership, Royalty Interest ownership, initial Overriding Royalty Interest ownership, and the Unit Tract Participation for that Participating Area. Exhibits must be prepared for each Participating Area established in the Unit Area. The Unit Operator shall submit an initial or revised Exhibit C to the Commissioner, Executive Director and to the President within 30 days of: 1) the effective date of any Participating Area; 2) any expansion or contraction of a Participating Area; 3) any division of interest or allocation formula establishing or revising the Unit Tract Participation of any Unit Tract or Unit Tracts in a Participating Area; or 4) any change of the Working Interest, Royalty Interest or the creation of a new Overriding Royalty Interest in any Unit Tract.

2.5 Exhibit D is comprised of a map for each Participating Area. Each Exhibit D map must show the boundary lines of the Unit Area, a Participating Area and the Unit Tracts in that Participating Area identified by Unit Tract number and Lease number. Within 30 days after approval by the Property Authority of a Participating Area or any expansion or contraction of a

Participating Area under Article 9 of this Agreement, the Unit Operator shall submit an initial or revised Exhibit D to the Commissioner, Executive Director and the President.

2.6 Exhibit E is comprised of a table for each Participating Area that displays the allocation of Participating Area Expense to each Unit Tract in the Participating Area, identified by Unit Tract number and Lease number. Exhibits must be prepared for each Participating Area established in the Unit Area. The Unit Operator shall submit an initial or revised Exhibit E to the Commissioner, Executive Director and the President whenever an initial or revised Exhibit C is required.

2.7 Exhibit F is a table that displays the allocation of Unit Expense to each Unit Tract in the Unit Area, identified by Unit Tract number and Lease number. The Unit Operator shall submit an initial or revised Exhibit F to the Commissioner, Executive Director and the President whenever an initial or revised Exhibit A is required if the Unit Area includes net profit share leases. The Unit Operator may submit a revised Exhibit F anytime, but any revisions to Exhibit F are not effective until approved by the Proper Authority.

2.8 Exhibit G is the unit plan of exploration, unit plan of development or unit plan of operations described in Article 8 of this Agreement.

ARTICLE 3: CREATION AND EFFECT OF UNIT

3.1 All Oil and Gas Rights in and to the lands described in Exhibit A and shown in Exhibit B are subject to this Agreement.

3.2 Except as otherwise provided in this Agreement, where only a portion of a Lease is committed to this Agreement, that commitment constitutes a severance of the Lease into unitized and non-unitized portions. The portion of the leased area of State or Third Party Land not committed to this Agreement will be treated as a separate and distinct lease and may be maintained only in accordance with the terms and conditions of the lease, statutes, and regulations. The portion of the leased area of CIRI Land not committed to this Agreement will be treated as a separate and distinct lease and may be maintained only in accordance with the terms and conditions of the lease. Any portion of the leased area not committed to this Agreement will not be affected by the unitization, by operations in or production on the Unit Area, or by a suspension approved or ordered by the Proper Authority.

3.3 Production of Unitized Substances from any part of a Participating Area will be considered production from each Unit Tract in the Participating Area as if a well were producing from each Unit Tract in the Participating Area.

3.4 The provisions of the various State and Private Leases and agreements pertaining to the respective Leases or production from those Leases are amended only to the limited extent necessary to make them conform to the written provisions of this Agreement and only for so long as the Lease remains committed to this Agreement. The provisions of the CIRI Leases or production from those Leases are amended only to the limited extent necessary to make them

conform to the following specific written provisions of this Agreement – Sections 12.6, 12.7 and 16.4 – and only for so long as the Lease remains committed to this Agreement. Otherwise, the provisions of the Leases will remain in full force and effect.

3.5 The Unit Operator shall have the same rights to use of the surface and the subsurface and any other rights that are granted in the respective Leases. To the extent feasible the Unit Operator shall minimize and consolidate surface facilities to minimize surface impacts.

3.6 This Agreement is not intended to transfer title to Oil and Gas Rights or Royalty Interests by any party to any other party or to the Unit Operator.

3.7 All data, information, and interpretations of those data and information determined by the Commissioner, Executive Director or by the President to be necessary for the administration of this Agreement or for the performance of statutory responsibilities must be provided by the Unit Operator, or Working Interest Owners, or both, to both the Commissioner, Executive Director and the President. The data and information that pertains to State Land shall be submitted to the Commissioner, Executive Director and the President and if the data or information is of a type entitled to confidentiality protection under the applicable law, it shall be protected from disclosure pursuant to the Leases, governing law, and regulations. The data and information that pertains to CIRI Land shall be submitted to the Commissioner, Executive Director and the President. Only the data and information that pertains to CIRI Land which is eligible to be held confidential under the provisions of AS 38.05.035 (C)-(D), or other Alaska law, is confidential and shall be protected from disclosure pursuant to the Leases and in accordance with the provisions in AS 38.05.035 (8)(C)-(D) or other Alaska law. The confidential data and information pertaining to CIRI Land shall not be released to the public without express written permission from CIRI. The Commissioner, Executive Director and the President may disclose to each other all data and information provided under this Section 3.8.

ARTICLE 4: DESIGNATION OF UNIT OPERATOR

4.1 Buccaneer Alaska Operations, LLC (“Buccaneer”) is designated as the Unit Operator until such time, if any, that a successor Unit Operator is designated under the terms and provisions of this Agreement. Buccaneer agrees to accept the rights and obligations of the Unit Operator to conduct Unit Operations and to explore for, develop and produce Unitized Substances as provided in this Agreement.

4.2 Except as otherwise provided in this Agreement, including but not limited to Section 7.4 and subject to the terms and conditions of Approved Unit Plans, the exclusive rights and obligations of the Working Interest Owners to conduct operations to explore for, develop and produce Unitized Substances in the Unit Area are delegated to and shall be exercised by the Unit Operator. This delegation does not relieve a lessee of the obligation to comply with all Lease terms. The Unit Operator shall notify the other Working Interest Owners, the Commissioner, Executive Director and the President of actions taken by the Unit Operator under this Agreement as may be required under a Lease, this Agreement, the Unit Operating Agreement, or applicable laws or regulations.

4.3 The Unit Operator shall minimize and consolidate surface facilities to minimize surface impacts. The Unit Operator must provide performance guarantee or surety bonds adequate to protect the Unit Area, the State's interests, The Trust's interests and CIRI's interests.

4.4 When a Working Interest Owner assigns an interest in a Lease, the Working Interest Owner will provide a copy of the approved assignment to the Unit Operator within 15 days after the Proper Authority approves it in accordance with the applicable Lease. Within 30 days after approval by the Proper Authority of any change of the Working Interest ownership of Oil and Gas Rights in any Unit Tract, the Unit Operator shall submit a revised Exhibits A and C to the Commissioner, Executive Director and the President.

ARTICLE 5: RESIGNATION OR REMOVAL OF UNIT OPERATOR

5.1 The Unit Operator will have the right to resign at any time; however, the resignation will not become effective until: 1) Sixty (60) days have passed since the Unit Operator delivers a written notice of an intention to resign to the Working Interest Owners, to the Commissioner, Executive Director and to the President; and 2) all artificial islands, installations and other devices, including wells, used for operations in the Unit Area are in a condition satisfactory to the Commissioner, Executive Director and the President for suspension or abandonment of operations. However, if a successor Unit Operator is designated and approved under Article 5 of this Agreement, the resignation is effective when approved by the Commissioner, Executive Director and the President.

5.2 The Unit Operator may be removed as provided in the Unit Operating Agreement. This removal will not be effective until: 1) the Working Interest Owners notify the Commissioner, Executive Director and the President and the Unit Operator; and 2) the Commissioner, Executive Director and the President approve a successor Unit Operator.

5.3 The resignation or removal of the Unit Operator will not release it from liability for any failure to meet or violation of obligations that accrued before the effective date of the resignation or removal.

5.4 The resignation or removal of the Unit Operator does not terminate its rights, title, interest or obligations as a Working Interest Owner or other interest in the Unit Area. A termination of the Unit Operator's rights, title, interest or obligations may occur independently under the terms of the Leases and governing law. When the resignation or removal of the Unit Operator becomes effective, the Unit Operator shall relinquish possession of all Unit Equipment, artificial islands, wells, installations, devices, records, and any other assets used for conducting Unit Operations, whether or not located in the Unit Area, to the successor Unit Operator.

ARTICLE 6: SUCCESSOR UNIT OPERATOR

6.1 Whenever the Unit Operator tenders its resignation as Unit Operator or is removed as provided in Article 5 of this Agreement, a successor Unit Operator may be designated as provided in the Unit Operating Agreement. The successor Unit Operator shall accept the rights and obligations of a Unit Operator in writing. The successor Unit Operator will file an executed copy of the designation of successor with the Commissioner, Executive Director and with the President. The designation of successor Unit Operator will not become effective until approved by the Commissioner, Executive Director and the President.

6.2 If no successor Unit Operator is designated within 60 days after notice to the Commissioner, Executive Director and the President of the resignation or removal of a Unit Operator, the Commissioner, Executive Director and the President may designate another Working Interest Owner as successor Unit Operator, or declare this Agreement terminated.

ARTICLE 7: UNIT OPERATING AGREEMENT

7.1 The Working Interest Owners and the Unit Operator shall enter into a Unit Operating Agreement. It shall apportion all costs and liabilities incurred in maintaining or conducting Unit Operations among the Working Interest Owners. The Unit Operating Agreement shall also apportion the benefits, which will accrue from Unit Operations among the Working Interest Owners.

7.2 Any allocation described in the Unit Operating Agreement will not bind the State, The Trust or CIRC in determining or settling royalties and net profit share payments. Allocations of Unit Expense, Participating Area Expense, or Unitized Substances for determining, settling and paying royalties and net profit share payments will be based on Exhibits C, E and F of this Agreement, and must be approved by the Proper Authority in writing before taking effect. An original or revised conforming Exhibit C, E and F shall be submitted to the State, The Trust and CIRC within 30 days of any change in the division of interest or allocation formula establishing or revising the Unit Tract Participation of any Unit Tract or Unit Tracts in a Participating Area.

7.3 The Working Interest Owners and the Unit Operator may establish, through the Unit Operating Agreement and amendments, including any other agreement between the Working Interest Owners concerning Unit Operations, other rights and obligations between the Unit Operator and the Working Interest Owners, in addition to those set out in Article 7.1 of this Agreement. Neither the Unit Operating Agreement nor any other agreement between the Working Interest Owners shall modify this Agreement. If the terms of this Agreement and the Unit Operating Agreement conflict, this Agreement will prevail.

7.4 With the written approval of the Proper Authority, any Working Interest Owner is entitled to drill a well on the unitized portion of its Lease when the Unit Operator declines to drill that well. A Working Interest Owner shall have an approved permit to

drill before commencement of drilling operations and the well must be part of an Approved Unit Plan. If the Proper Authority determines any such well to be capable of producing Unitized Substances in Paying Quantities, the land upon which that well is situated must be included in a Participating Area. The Participating Area will be formed or an existing Participating Area enlarged as provided in this Agreement. The Unit Operator shall thereafter operate the well in accordance with this Agreement and the Unit Operating Agreement.

7.5 The Unit Operator shall file an executed copy of the Unit Operating Agreement with the Commissioner, Executive Director and with the President when this Agreement is submitted for approval. The copy of the Unit Operating Agreement is for informational purposes only. Approval of the Unit Agreement is not approval of the Unit Operating Agreement. Complete copies of any amendments to the Unit Operating Agreement, including all other agreements between the Working Interest Owners that affect the rights and duties of some or all of the parties to this Agreement, must also be filed with the Commissioner, Executive Director and the President within 30 days of execution and at least 30 days before their effective dates.

ARTICLE 8: PLANS OF EXPLORATION, DEVELOPMENT AND OPERATIONS

8.1 Any Unit Plan and any amendment to a Unit Plan will not be effective until the Commissioner, Executive Director and the President approve it. Approved Unit Plans are incorporated into this Agreement and become effective on the date of their approval.

8.1.1 Unless a unit plan of development is filed under 11 AAC 83.343, a unit plan of exploration ("Plan of Exploration") shall be filed for approval with the Commissioner, Executive Director and the President. Plans of Exploration must comply with 11 AAC 83.341, any successor regulation and all CIRC Leases to the extent the exploration is being conducted on CIRC Land. The Plan of Exploration shall describe the proposed exploration and delineation activities for any land in the Unit Area that is not in a Participating Area. The Unit Operator shall submit updated Plans of Exploration to the Commissioner, Executive Director and the President for approval at least sixty days before the current Plan of Exploration expires.

8.1.2 A unit plan of development ("Plan of Development") shall comply with 11 AAC 83.343, any successor regulation and all CIRC Leases to the extent the exploration is being conducted on CIRC Land. The Unit Plan of Development shall include a description of the proposed development activities based on data available when the plan is submitted. The Unit Operator shall submit updated Plans of Development to the Commissioner, Executive Director and the President for approval at least sixty days before the current Plan of Development expires.

8.1.3 A unit plan of operations ("Plan of Operations") shall comply with 11 AAC 83.346, any successor regulation and all CIRC Leases to the extent the exploration is being conducted on CIRC Land. The Unit Operator shall submit

updated Plans of Operation to the Commissioner, Executive Director and the President for approval at least sixty days before the current Plan of Operation expires.

8.1.4 When this Agreement is submitted to the Commissioner, Executive Director and the President for approval, the Unit Operator shall submit an initial Plan of Development or an initial Plan of Exploration (collectively called the "Initial Unit Plan") for approval by the Commissioner, Executive Director and the President.

8.2 The Unit Operator shall not explore, develop or produce on the Unit Area except in accordance with an Approved Unit Plan. The Unit Operator shall obtain a Plan of Operations approval, and any other permits and approvals required before operations begin. A Plan of Operations approval must be consistent with the mitigation measures and lessee advisories developed for the most recent State areawide lease sale in the region that includes the Unit Area as deemed necessary by the Commissioner and Executive Director to protect the resources of the State and The Trust, and the Plan of Operations must be consistent with the CIRC Leases as deemed necessary by the President to protect the resources of CIRC. The Unit Operator shall submit a complete copy of all such applications to the Commissioner, Executive Director and the President. The Unit Operator shall give the Commissioner, Executive Director and the President written notice before beginning testing, evaluation, or pilot production from a well in the Unit Area.

8.2.1 Plans of Operations, applications for permits to drill, and other applications pertaining to proposed activities located only on and under State Land must be submitted to and approval obtained from the State agency normally receiving such applications prior to commencement of operations as provided under 11 AAC 83.346 and 20 AAC 25 or other State regulation.

8.2.2 Plans of Operations and other applications pertaining to proposed activities located only on and under CIRC Land must be submitted to and approval obtained from the President prior to commencement of operations as provided under the CIRC Lease. This provision does not excuse the Unit Operator from obtaining any other approvals and permits required by law for activities and operations located on and under CIRC Land.

8.2.3 Plans of operations, applications for permits to drill, and other applications pertaining to proposed activities located only on and under Trust Land must be submitted to and approved by the Executive Director prior to commencement of operations as provided under The Trust Lease.

8.2.4 Plans of Operations, applications for permits to drill, and other applications pertaining to proposed activities located on and under State Land, Trust Land and CIRC Land must be submitted to and approval obtained from the Executive Director, President and the State agency normally receiving that type of application prior to commencement of operations.

8.2.5 Copies of applications submitted for approval to the Commissioner, Executive Director or the President shall be furnished to both the Commissioner, Executive Director and the President, regardless of whether their approval is required.

8.3 After Sustained Unit Production in Paying Quantities begins, Unit Operations shall be maintained with lapses of no more than 90 days per lapse between operations. The lapse may be longer if suspension of operations or production has been ordered or approved by the Commissioner, Executive Director and the President. Approved Unit Plans may provide for a suspension of Unit Operations.

8.4 After giving written notice to the Unit Operator and an opportunity to be heard, the Proper Authority may require the Unit Operator to modify from time-to-time the rate of prospecting and development and the quantity and rate of production from the Unit Area.

8.5 The Proper Authority may approve any injection of Outside Unit Substances or Outside PA Substances within the Unit Area. Any injection of Outside Unit Substances or Outside PA Substances within the Unit Area must be part of an Approved Unit Plan.

ARTICLE 9: PARTICIPATING AREAS

9.1 The Unit Operator shall submit a request for approval of the proposed initial Participating Area to the Proper Authority at least 90 days before commencement of Sustained Unit Production from a Reservoir in the Unit Area. A Participating Area shall include only land that is reasonably known to be underlain by Unitized Substances and known or reasonably estimated through the use of geological, geophysical and engineering data to be capable of producing or contributing to production of Unitized Substances in Paying Quantities. The Unit Operator must receive approval from the Proper Authority of a Participating Area before commencement of Sustained Unit Production. The Unit Operator shall notify the Proper Authority before the commencement of Sustained Unit Production from each Participating Area.

9.1.1 If the Reservoir into which a Unit Well certified as capable of producing hydrocarbons in Paying Quantities is drilled lies completely under State Land, the application for a Participating Area or any revision to that Participating Area for that Reservoir shall be made to the Commissioner. If the Reservoir into which a Unit Well certified as capable of producing hydrocarbons in Paying Quantities is drilled lies completely under CIRI Land, the application for a Participating Area or any revision to that Participating Area for that Reservoir shall be made to the President. If the Reservoir into which a Unit Well certified as capable of producing hydrocarbons in Paying Quantities is drilled lies completely under Trust Land, the application for a Participating Area or any revision to that Participating Area for that Reservoir shall be made to the Executive Director. If the Reservoir into which a Unit Well certified as capable of producing hydrocarbons in Paying Quantities is drilled lies under State Land, Trust Land and CIRI Land, or any two of them, the application for a Participating Area or any revision to a Participating Area for that Reservoir shall be made to the Commissioner, Executive Director and the President, or any two of them as the case may be.

9.1.2 Prior to the submission of an application to the Commissioner, Executive Director or the President, but not all three, as set out in Article 9.1.1, the Unit Operator must make a showing to the Commissioner, Executive Director and the President that the Reservoir underlies State Land, Trust Land or CIRI Land, or any two of them, but not all three. The Commissioner, Executive Director and the President must agree with and approve such showing before an application for a Participating Area can be made to either the Commissioner, Executive Director or the President, or any two of them, but not all three.

9.2 Each application for approval of a Participating Area shall include Exhibits C, D, E, and G. Exhibit F is also required if the Unit Area includes net profit share leases. If approved by the Proper Authority, the area described in Exhibit C and shown in Exhibit D will be a Participating Area, and the allocation of Participating Area Expenses and Unit Expenses described in Exhibits E and F will be effective on the effective date of the Participating Area.

9.3 A separate Participating Area shall be established for each Reservoir in the Unit Area. If one Reservoir underlies another Reservoir in whole or in part, separate Participating Areas may be created for each Reservoir. Any two or more Reservoirs or Participating Areas may be combined into one Participating Area if approved by the Proper Authority.

9.4 At the Unit Operator's election or if so directed by the Proper Authority, the Unit Operator shall apply to expand or contract the Participating Area if expansion or contraction is warranted by geological, geophysical, and engineering data. Each application for expansion or contraction shall include Exhibits C, D, E, and G. Exhibit F is also required if the Unit Area includes net profit share leases. The application must be submitted to the Proper Authority for approval. Before any directed expansion or contraction of the Participating Area, the Proper Authority will give the Unit Operator reasonable notice and an opportunity to be heard.

9.5 The Proper Authority will establish the effective date of the initial Participating Area. That effective date will be no later than the date of the first Sustained Unit Production. The Proper Authority will establish the effective date of each subsequent Participating Area.

9.6 Land in a Participating Area shall remain in that Participating Area even if its Unitized Substances are depleted.

9.7 A Unitized Substance produced from one Participating Area ("Originating Participating Area") may be used as an Outside PA Substance ("Injected Substance") for repressuring, recycling, storage or enhanced recovery purposes in another Participating Area ("Receiving Participating Area") only if the State, The Trust and CIRI are paid royalty as if the Unitized Substance was saved, removed, or sold by the Working Interest Owners, except as follows:

9.7.1 If the Proper Authority consents to the transfer of Unitized Substances between Participating Areas without immediate payment of royalties, the Unit Operator shall provide monthly reports to the State, The Trust and CIRI of the transferred Unitized Substance volumes in both the Originating and Receiving Participating Areas as specified in 11 AAC 04.040 and including any additional information requested by CIRI. These monthly reports shall reflect the volumes of

any Unitized Substance transferred and the British thermal units ("Btus") in any natural gas Unitized Substance transferred as an Outside PA Substance during the preceding month.

9.7.2 If the Proper Authority consents to the transfer of Unitized Substances between Participating Areas without immediate payment of royalties, the royalties shall be paid when the Injected Substances are produced and removed from the Receiving Participating Area. The first natural gas Unitized Substances produced and removed from the Receiving Participating Area shall be considered to be the Injected Substances until a volume of natural gas containing Btus equal to the Btus contained in the Injected Substances is produced and removed from the Receiving Participating Area. All the Unitized Substances produced and removed from a Receiving Participating Area that are considered to be the Injected Substances shall be allocated to the Originating Participating Area. The Working Interest Owners shall pay the State, The Trust and CIRC royalties on Injected Substances produced and removed from a Receiving Participating Area as if those Injected Substances were produced and removed from the Originating Participating Area when they were produced from the Receiving Participating Area.

9.8 All liquid hydrocarbons removed in any equipment or facility in Alaska from produced Injected Substances and not used for fuel shall be allocated to the Receiving Participating Area. If liquid hydrocarbons are removed from the natural gas, the Btu content of the natural gas shall be measured after liquid hydrocarbons are removed.

9.9 The Proper Authority's approval must be obtained for the proposed recovery rate and commencement date for recovery before any Outside Unit Substance is injected within the Unit Area.

9.10 After giving written notice to the Unit Operator and an opportunity to be heard, the Proper Authority may require the Unit Operator to modify from time-to-time the rate of prospecting and development and the quantity and rate of production from a Participating Area.

9.11 Commercial and/or underground storage will be covered by separate agreement with the Proper Authority.

ARTICLE 10: OFFSET WELLS

10.1 Whenever there is a risk of drainage from production operations on property outside the Unit Area, the Unit Operator shall drill wells to protect the Property Authority within the Unit Area from loss by reason of drainage. The Proper Authority may issue a written demand if oil or gas is produced in Paying Quantities for 30 consecutive days in a well on other land not owned by the Proper Authority or on which the Proper Authority receive a lower rate of royalty than under any Lease in the Unit Area, and that well is within 500 feet in the case of an oil well or 1,500 feet in the case of a gas well of lands then subject to this Agreement. If, after notice to the Unit Operator and an opportunity to be heard, the Proper Authority finds that

production from that well is draining lands then subject to this Agreement, the Unit Operator shall within 30 days after written demand by the Proper Authority, begin in good faith and diligently prosecute drilling operations for an offset well on the Unit Area. In lieu of drilling any well required by this paragraph, the Working Interest Owners must compensate the Proper Authority in full each month for the estimated loss of royalty through drainage in the amount determined by the Proper Authority.

ARTICLE 11: ALLOCATION OF PRODUCTION

11.1 Production and costs will be allocated under 11 AAC 83.371 and any successor regulation. The Unit Operator shall submit a proposed allocation plan, with supporting data, to the Proper Authority for approval. The Unit Operator will provide copies of the proposed allocation plan to all other Leasehold Royalty Owners. The Proper Authority may revise the proposed allocation plan if it does not equitably allocate production and costs from the Reservoir. The Proper Authority will give the Unit Operator, Working Interest Owners and all other Leasehold Royalty Owners reasonable notice and an opportunity to be heard before revising the Unit Operator's proposal. The allocation plan must be revised whenever a Participating Area is expanded or contracted. Within 30 days after approval by the Proper Authority of any division of interest or allocation formula establishing or revising the Unit Tract Participation of any Unit Tract or Unit Tracts in a Participating Area, the Unit Operator shall submit revised Exhibits C and F to the Proper Authority. The Unit Operator may submit a revised Exhibit F anytime, but any revisions to Exhibit F are not effective until approved by the Proper Authority.

11.2 The Working Interest Owners shall pay royalties for each Unit Tract in proportion to each Working Interest Owner's ownership in that Unit Tract. The amount of Unitized Substances allocated to each Unit Tract will be deemed to have been produced from that Unit Tract.

11.3 The Working Interest Owners may allocate Unitized Substances, Participating Area Expense, and Unit Expense differently than described in Exhibits C, E and F. However, that allocation will not be effective for determining royalty or net profit share payments. The Unit Operator shall submit any allocation that is different than the allocations required in Exhibit C, E or F within 10 days of its effective date with a statement explaining the reason for the different allocation to the Commissioner under 11 AAC 83.371(b) for the State's information, to the Executive Director for The Trust's information, and to the President for CIRI's information.

11.4 Royalties will not be due or payable to the State or the Trust for the portion of Unitized Substances unavoidably lost or used in the Unit Area for development and production. Royalties will not be due or payable to CIRI for the portion of Unitized Substances unavoidably lost or used in a Participating Area in which CIRI is receiving royalties for development and production. These exemptions do not apply to Unitized Substances that are sold, traded or assigned, including sales, transactions, or assignments among the Working Interest Owners, or which are produced and stored or moved out of the Unit Area. Gas that is flared for any reason other than safety purposes as allowed by the AOGCC will not be deemed to be unavoidably lost,

and the Working Interest Owners shall pay royalties for such flared gas as if it had been produced.

11.5 If a State Lease or CIRC Lease committed to this Agreement provides for a discovery royalty rate reduction for the first discovery of oil or gas, that Lease provision will not apply to a well spudded after the Effective Date.

ARTICLE 12: CIRC LEASES, RENTALS AND ROYALTY INTEREST PAYMENTS

12.1 The Working Interest Owners of CIRC Leases shall pay rentals and royalty payments, including minimum royalty and shut-in royalty, due under CIRC Leases as provided therein.

12.2 Each month, the Unit Operator shall furnish a schedule to CIRC. That schedule shall specify, for the previous month: (1) the total amount of Unitized Substances produced; (2) the amount of Unitized Substances used for development and production or unavoidably lost; (3) the total amount of Unitized Substances allocated to each Unit Tract; (4) the amount of Unitized Substances allocated to each Unit Tract and delivered in kind as royalty to each Leasehold Royalty Owner; and (5) the amount of Unitized Substances allocated to each Unit Tract attributable to royalty of CIRC and other Leasehold Royalty Owners for which royalty is to be or has been paid.

12.3 Each Working Interest Owner under a CIRC Lease shall pay its share of the royalty interest obligation due to CIRC on Unitized Substances as provided under the terms of the CIRC Lease.

12.4 The Unit Operator shall give CIRC written notice of the anticipated date for commencement of production at least six months (6) before the commencement of Sustained Unit Production from the Unit Area. CIRC shall give the Working Interest Owners at least 90 days written notice of any election(s) by CIRC to take in kind all, a specified percentage, or a specified quantity of CIRC's royalty interest share in any Unitized Substances produced from the Unit Area. CIRC may, in its discretion, increase or decrease (including ceasing to take royalty interest Unitized Substances in kind) the amount of royalty interest share of Unitized Substances CIRC takes in kind, by giving written notice to the relevant Working Interest Owners at least 90 days before the first day of the month in which such increase, decrease, or cessation is to be effective.

12.5 The Unit Operator shall deliver CIRC's royalty-in-kind gas for Unitized Substances produced from the Unit Area, if any, at the custody transfer meter at the point where such Unitized Substances first enters a common carrier pipeline unless another point is mutually agreed upon in writing by CIRC and the relevant Working Interest Owners pursuant to the CIRC Lease terms. CIRC shall, in its discretion, designate any individual, firm or corporation to accept delivery.

12.6 Royalties and the share of Unitized Substances attributable to royalties and any payment due must be paid free and clear of all CIRC Lease expenses (as defined in the CIRC Lease), Unit expenses and Participating Area expenses. These excluded expenses include, but are not limited to, separating, cleaning, dehydration, saltwater removal, processing, gathering, compression, pumping, manufacturing costs as well as the costs of preparing the Unitized Substances for transportation. All royalty deductions for transportation, including, but not limited to, marine, truck and pipeline transportation, from the Unit Area to the point of sale shall not exceed: (1) the reasonable actual cost to the Working Interest Owners when the transportation is by means of facilities owned by third parties; or (2) when transportation is by a Working Interest Owner's facilities, the lesser of (i) the reasonable cost to the Working Interest Owner or (ii) a cost equal to the lowest amount the Working Interest Owner charges any third party for use of such facilities.

12.7 Notwithstanding any contrary CIRC Lease term: (a) no lien for any expenses will attach to royalty Unitized Substances; (b) transportation deductions are only allowed for sales quality oil and shall not include transportation costs incurred on the Unit Area before the Unitized Substances are delivered to a common carrier; (c) transportation costs must be determined by taking into account all tax benefits applicable to the transportation; and (d) the royalty share will bear a proportionate part of any gas shrinkage that occurs during gas processing and blending. The Working Interest Owners must provide CIRC with the information CIRC deems necessary to enforce Sections 12.6 and 12.7 no later than 10 business days after written request.

12.8 The Unit Operator shall maintain records of all development and production of Unitized Substances. Each Working Interest Owner shall maintain records of the disposition of its portion of the Unitized Substances, including records of sales prices, volumes and purchasers for seven years after the date of said disposition. The Unit Operator and the Working Interest Owners shall make available for inspection and copying by CIRC such relevant books and records at Unit Operator's offices in Anchorage, Alaska, at all reasonable times upon prior written request. Such books and records may be provided in an electronic format. The Unit Operator and Working Interest Owners shall use generally accepted accounting principles and sound oil and gas industry practices. In addition, the Unit Operator and Working Interest Owners will comply with CIRC Lease terms governing records.

ARTICLE 13: STATE AND PRIVATE LEASES, RENTALS AND ROYALTY INTEREST PAYMENTS

13.1 The Working Interest Owners shall pay rentals and royalty payments due under those Leases. Payments must be made to any depository designated by the payee with at least sixty (60) days notice to the Unit Operator and Working Interest Owners. Payments to the State must be made under 11 AAC 04 and 11 AAC 83.110 and any successor regulations. Payments to The Trust must be made in accordance with the Trust Lease.

13.2 Each month, the Unit Operator shall furnish a schedule to the Commissioner, Executive Director and President. That schedule shall specify, for the previous month: 1) the total amount of Unitized Substances produced; 2) the amount of Unitized Substances used for

development and production or unavoidably lost; 3) the total amount of Unitized Substances allocated to each Unit Tract 4) the amount of Unitized Substances allocated to each Unit Tract and delivered in kind as Royalty Interests to each lessor; and 5) the amount of Unitized Substances allocated to each Unit Tract attributable to Royalty Interests of the State and other lessor for which royalty is to be or has been paid. If any of the Leases subject to this Agreement require net profit share payments, the operator shall provide the schedule of development costs in accordance with 11 AAC 83.219.

13.3 Each Working Interest Owner shall pay for its share of the Royalty Interest on Unitized Substances as provided under the terms of each respective lease.

13.4 Notwithstanding any contrary Lease term, royalties and the share of Unitized Substances attributable to royalties and any payment due must be paid free and clear of all Lease expenses, Unit Expenses and Participating Area Expenses. These excluded expenses include, but are not limited to, separating, cleaning, dehydration, saltwater removal, processing, compression, pumping, and manufacturing costs. These excluded expenses include the costs of preparing the Unitized Substances for transportation off the Unit Area and gathering and transportation costs incurred before the Unitized Substances are delivered to a common carrier pipeline. No lien for any expenses will attach to royalty Unitized Substances. The royalty share will bear a proportionate part of any gas shrinkage that occurs during gas processing and blending.

13.5 If any Working Interest Owner fails to pay its Royalty Interest due after thirty days written notice, the affected lessor shall have all rights and remedies available to them under law, the lease and this Agreement.

13.6 Notwithstanding any contrary Lease term or provision in 11 AAC 83.228—11 AAC 83.229, all royalty deductions for transportation, including, but not limited to, marine, truck and pipeline, transportation, from the Unit Area to the point of sale are limited to the actual and reasonable costs incurred by the Working Interest Owners. Transportation deductions are only allowed for sales quality oil. These transportation costs must be determined by taking into account all tax benefits applicable to the transportation.

13.7 The Unit Operator shall give the Proper Authority notice of the anticipated date for commencement of production at least six months before the commencement of Sustained Unit Production from a Participating Area. The Proper Authority may take the State's share of Unitized Substances in-kind in accordance with the following. The Proper Authority will give the Unit Operator 90 days written notice of the State's initial election to take all or a portion of its share of Unitized Substances in-kind. After taking has commenced, the Proper Authority may increase or decrease the amount of Unitized Substances taken in-kind.

13.7.1 The Proper Authority may elect to specify the Unit Tracts from which Unitized Substances taken in-kind are to be allocated. If the Proper Authority does not specify any Unit Tracts in the written notice to the Unit Operator, the Unitized Substances taken in-kind will be allocated to all Unit Tracts in accordance with the Unit Tract Participation shown on Exhibit C to this Agreement.

13.7.2 The Unit Operator shall deliver the State, The Trust or CIRI's royalty Unitized Substances at the custody transfer meter at a common carrier pipeline capable of carrying those substances, or at any other mutually agreeable place. The State, The Trust and CIRI may designate any individual, firm or corporation to accept delivery.

13.7.3 The State, The Trust and CIRI's share of Unitized Substances delivered in-kind shall be delivered in good and merchantable condition and be of pipeline quality. Those substances will be free and clear of all Lease expenses, Unit Expenses, and Participating Area Expenses, and free of any lien for these excluded expenses. These excluded expenses include, but are not limited to, separating, cleaning, dehydration, saltwater removal, processing, compression, pumping, and manufacturing costs. These excluded expenses include the costs of preparing the Unitized Substances for transportation off the Unit Area and gathering and transportation costs incurred before the Unitized Substances are delivered to a common carrier. If a Working Interest Owner processes the Unitized Substances to separate, extract or remove liquids from a Working Interest Owner's share of natural gas Unitized Substances, the State may require that a Working Interest Owner also process the State's share of natural gas being taken in-kind in the same manner without cost to the State. Under these circumstances, the State, or its buyer, shall only pay transportation costs subject to tariff and shrinkage of the volume of gas resulting from processing.

13.7.3.1 Each Working Interest Owner shall furnish storage in or near the Unit Area for the State, The Trust and CIRI's share of Unitized Substances to the same extent that the Working Interest Owner provides storage for its own share of Unitized Substances.

13.8 If a purchaser of the State, The Trust or CIRI's share of Unitized Substances does not take delivery of Unitized Substances, the affected lessor may elect, without penalty, to underlift for up to six months. The such lessor may underlift all or a portion of those substances. The affected lessor's right to underlift is limited to the portion of those substances that the purchaser did not take delivery of or what is necessary to meet an emergency condition. The affected lessor will give the Unit Operator written notice 30 days before the first day of the month in which the underlifted Unitized Substances are to be recovered. The affected lessor may recover at a daily rate not exceeding 25 percent of its share of daily production, unless otherwise agreed.

13.9 The Unit Operator shall maintain records, and shall keep and have in its possession books and records including expense records, of all exploration, development, production, and disposition of all Unitized Substances and Outside Unit Substances and Outside PA Substances. Each Working Interest Owner shall maintain records of the disposition of its portion of the Unitized Substances and Outside Unit Substances and Outside PA Substances including sales prices, volumes, and purchasers. The Unit Operator and the Working Interest Owners shall permit the Commissioner, Executive Director and President to examine those books and records at all reasonable times. Upon request by the Proper Authority, the Unit Operator and the Working Interest Owners shall make the books and records available to the

Proper Authority at the Proper Authority's designated office. To the extent approved by the Proper Authority, the Unit Operator may provide these books and records in a mutually agreeable electronic format. These books and records of exploration, development, production, and disposition must employ methods and techniques that will ensure the most accurate figures reasonably available. The Unit Operator and the Working Interest Owners shall use generally accepted and internally consistent accounting procedures. Nothing herein limits the right of the State or CIRI to conduct audits.

13.10 To the extent that the rental provision of a State or Trust Lease is inconsistent with AS 38.05.180(n), the State or Trust Lease is amended and rentals will be calculated under AS 38.05.180(n) and paid under 11 AAC 04. If a State Lease requires payment of minimum royalty, the Lease is amended to delete that minimum royalty obligation. The rental due under State law, as amended, must be paid in lieu of minimum royalty.

13.11 All rights and obligations relating to the State's net profit share will be determined under 11 AAC 83.201 – 11 AAC 83.295. The State may audit the net profit share reports or payments due for any Lease within 10 years of the year of production. The period of limitations for the State to file a lawsuit relating to an audit of a net profit share report or payment will be three years longer than the audit period. The Working Interest Owners holding interests in net profit share Leases shall maintain the records relevant to determination of net profit share for 13 years.

ARTICLE 14: UNIT EXPANSION AND CONTRACTION

14.1 The Unit Operator, at its own election may, or at the direction of the Proper Authority shall, apply to expand the Unit Area to include any additional lands determined to overlie a Reservoir that is at least partially within the Unit Area, or to include any additional lands that facilitate production. The Unit Operator shall notify the Working Interest Owners of any expansion proposed by the Unit Operator or any third party, or proposed or directed by the Proper Authority. Any unit expansion shall not be effective until approved by the Commissioner and the President.

14.2 Except as provided in 14.3, ten years after Sustained Unit Production begins, the Unit Area must be contracted to include only those lands then included in an approved Participating Area and lands that facilitate production including the immediately adjacent lands necessary for secondary or tertiary recovery, pressure maintenance, reinjection, or cycling operations. The Commissioner and Executive Director may, after considering the provisions of 11 AAC 83.303, and the President may delay contraction of the Unit Area if the circumstances of a particular unit warrant. If any portion of a State or Trust Lease is included in the Participating Area, the portion of the State or Trust Lease outside the Participating Area will neither be severed nor will it continue to be subject to the terms and conditions of this Agreement. The portion of the State or Trust Lease outside the Participating Area will continue in full force and effect so long as production is allocated to the unitized portion of the Lease and the lessee satisfies the remaining terms and conditions of the Lease. If any portion of a CIRI Lease is

included in the Participating Area, the portion of the CIRC Lease outside the Participating Area will be severed and will not be subject to the terms and conditions of this Agreement.

14.3 Not sooner than 10 years after the effective date of this Agreement, the Commissioner, Executive Director and the President may contract the Unit Area to include only that land covered by an Approved Unit Plan . Before any contraction of the Unit Area under this Section 14.3, the Commissioner, Executive Director and the President will give the Unit Operator and the Working Interest Owners of the Leases or portions of Leases being excluded reasonable notice and an opportunity to be heard.

14.4 The Unit Area may be voluntarily contracted with the Commissioner, Executive Director and the President's approval and an affirmative vote of the Working Interest Owners. This section does not limit any other authority the State, The Trust and CIRC have to contract the Unit Area including under Sections 14.2 and 14.3.

14.5 Within 30 days after approval by the Commissioner, Executive Director and the President of a voluntary or a required expansion or contraction of the Unit Area, the Unit Operator shall submit revised Exhibits A and B to the Commissioner and the President.

ARTICLE 15: UNIT EFFECTIVE DATE, TERM AND TERMINATION

15.1 Upon the Commissioner, Executive Director and the President's approval, this Agreement is effective as of 12:01 a.m. on the date the Commissioner, Executive Director and the President designate. Within 10 days of the Effective Date, one copy of this Agreement shall be filed with the Department of Natural Resources, Anchorage, Alaska, The Trust and CIRC, and one copy shall be filed with the AOGCC.

15.2 Subject to the terms and conditions of the Approved Unit Plan, this Agreement automatically terminates two years from the Effective Date unless:

15.2.1 a Unit Well in the Unit Area has been certified as capable of producing Unitized Substances in Paying Quantities under 11 AAC 83.361, in which case this Agreement will remain in effect as to State and Private Leases for so long as Unitized Substances are produced in Paying Quantities from the Unit Area and as to CIRC Leases for so long as Unitized Substances are produced in Paying Quantities from the Unit Area and a portion of the Unitized Substances are allocated to that CIRC Lease;
or

15.2.2 for so long as Unit Operations are being conducted in accordance with an Approved Unit Plan and as to State or Private Leases for so long as Unitized Substances are produced in Paying Quantities from the Unit Area and as to CIRC Leases for so long as Unitized Substances are produced in Paying Quantities from the Unit Area and a portion of the Unitized Substances are allocated to that CIRC Lease;
or

15.2.3 should production cease, for so long thereafter as diligent operations are in progress to restore production and then as to State or Private Leases for so long as Unitized Substances are produced in Paying Quantities from the Unit Area and as to CIRC Leases for so long as Unitized Substances are produced in Paying Quantities from the Unit Area and a portion of the Unitized Substances are allocated to that CIRC Lease; or

15.2.4 exploration operations are being conducted under an Approved Unit Plan and the unit term is extended by the Commissioner and the President. No single extension will exceed five years.

15.3 If the Commissioner, Executive Director and the President order or approve a suspension of production or other Unit Operations, this Agreement will continue in force during the authorized suspension.

15.4 Nothing in this Article holds in abeyance the obligations to pay rentals, royalties, minimum royalties, shut-in royalties, or other production or profit-based payments to the State, The Trust or CIRC from operations or production in any part of the Unit Area. Any seasonal restriction on operations or production or other condition required in the Lease is not a suspension of operations or production required by law or force majeure.

15.5 This Agreement may be voluntarily terminated by an affirmative vote of the Working Interest Owners and the Commissioner, Executive Director and the President's approval, but the Working Interest Owners obligation to restore the Lease areas, to remove equipment, and to remediate contamination survive unit termination.

15.5 This section does not limit any right DNR, The Trust or CIRC otherwise have to terminate the unit.

ARTICLE 16: EFFECT OF CONTRACTION AND TERMINATION

16.1 If a Lease or portion of a Lease is contracted out of the Unit Area under this Agreement, then:

16.1.1 Any State or Trust Lease or portion of a State or Trust Lease eliminated from the Unit Area pursuant to this Agreement may be maintained only in accordance with State law and the State or Trust Lease; and

16.1.2 Any CIRC Lease or portion of a CIRC Lease eliminated from the Unit Area pursuant to this Agreement shall be maintained only in accordance with its terms and conditions.

16.2 Each State or Trust Lease committed to this Agreement on the day that this Agreement terminates will remain in force for an extension period of 90 days, or any longer

period that the Commissioner or Executive Director may approve. After the extension period expires, the State or Trust Lease will be maintained only in accordance with State law and the State or Trust Lease.

16.3 Upon termination of this Agreement, a CIRC Lease, which was subject hereto may be continued in force and effect in accordance with the terms and conditions contained in the affected Private or CIRC Lease.

16.4 The Working Interest Owners shall restore and rehabilitate the surface of the Leases to the Proper Authorities' satisfaction and shall submit an audit report as defined in AS 9.25.490(a)(1) to the Commissioner, Executive Director and the President. The Working Interest Owners shall remove all materials, equipment and improvements from the Unit Area within one year after this Agreement terminates. However, the Proper Authority may extend the removal period. If the Working Interest Owners have not removed all materials, equipment and improvements from the Unit Area before the removal period expires, then the Proper Authority may either: (a) elect to keep any materials, equipment and improvements; or (b) elect to remove any or all of the materials, equipment and improvements at the Unit Operator's and the Working Interest Owners' expense. The Working Interest Owners shall assign full title to those materials, equipment and improvements to the Proper Authority if the Proper Authority elects to keep them within ten business days after receipt of notice of the Proper Authority's election. The Unit Operator and the Working Interest Owners shall pay all invoices submitted by the Proper Authority related to removal of materials, equipment and improvements within ten business days of receipt of the particular invoice. The Working Interest Owners shall ultimately be solely responsible, even after title has been transferred, for: 1) removal and salvage of those materials, equipment and improvements and restoration, and 2) rehabilitation of the surface after removal or salvage. The Working Interest Owners shall be responsible for all conditions identified in the audit report, and all conditions that should have been identified in the audit report.

16.5 In addition to Section 16.4, as to Unit Operations on a CIRC Lease, the Working Interest Owners shall abide by the terms and conditions of the "Rights Upon Termination" provision and the sub-paragraph entitled "Termination of Lease" under the "Environmental Provisions" of the CIRC Leases, and all other CIRC Lease provisions.

ARTICLE 17: COUNTERPARTS

17.1 An owner of Oil and Gas Rights will become a party to this Agreement by signing the original, or a counterpart, of this Agreement. The signing of counterparts of this Agreement will have the same effect as if all parties had signed a single original of this Agreement.

ARTICLE 18: LAWS AND REGULATIONS

18.1 This Agreement is subject to all applicable local, State and federal statutes, laws, ordinances, rules, requirements, orders and regulations in effect on the Effective Date of this

Agreement, and insofar as is constitutionally permissible, to all statutes, laws, ordinances, rules, requirements, orders and regulations placed in effect after the Effective Date of this Agreement. A reference to a statute, law, ordinance, rule or regulation in this Agreement includes any change in that statute or regulation whether by amendment, repeal and replacement, or other means. This Agreement does not limit the power of the State of Alaska or the United States of America to enact and enforce legislation or to promulgate and enforce regulations affecting, directly or indirectly, the activities of the parties to this Agreement or the value of interests held under this Agreement. In case of conflicting provisions, statutes and regulations take precedence over this Agreement as to State and Private Leases only. As to CIRI Land, the CIRI Lease provisions control unless set forth in Section 3.4 or otherwise expressly agreed by the President in writing.

18.2 The venue for any action relating to this Agreement shall be in the Third Judicial District at Anchorage, State of Alaska.

ARTICLE 19: APPEARANCES AND NOTICES

19.1 If the State, The Trust or CIRI gives the Unit Operator a notice or order relating to this Agreement it will be deemed given to all Working Interest Owners and all persons whose interest in the Unit Area derived from a Working Interest. All notices required by this Agreement shall be given in writing and delivered personally, or by United States mail or by facsimile machine to the Unit Operator at the address or facsimile number listed below. All notices actually received will also be deemed properly given. The Unit Operator shall change its notice address by giving 30 days written notice to the Leasehold Royalty Owners and the other Working Interest Owners. The State, The Trust and CIRI will change their notice address by giving 30 days written notice to the Unit Operator.

Address of the Unit Operator:

Buccaneer Alaska Operations, LLC
952 Echo Lane, Suite 420
Houston, TX 77024
Fax: (713) 468-3717

Address of the State:

Commissioner, Department of Natural Resources
550 West Seventh Avenue, Suite 1400
Anchorage, Alaska 99501-3554
Fax: (907) 269-8918

with a copy to:

Director, Division of Oil and Gas
550 West Seventh Avenue, Suite 1100
Anchorage, Alaska 99501-3560
Fax: (907) 269-8938

Addresses of CIRI:

Cook Inlet Region, Inc.
Attention: Land Manager
2525 C Street, Suite 500
P.O. Box 93330
Anchorage, Alaska 99509-3330
Fax: (907) 263-5559

Addresses of The Trust:

Trust Land Office
Attention: Executive Director
2600 Cordova Street
Anchorage, AK 99503
Phone: 907-269-8658
Fax: 907-269-8605

ARTICLE 20: JOINDER

20.1 The Commissioner, Executive Director and the President may order or, upon request, approve a joinder to this Agreement under the expansion provisions of Article 14 of this Agreement. The Unit Operator shall submit a request for joinder with a signed counterpart of this Agreement and a notice of proposed expansion under Article 14 of this Agreement. A joinder is subject to the requirements of the Unit Operating Agreement. However, the Commissioner, Executive Director and the President may modify any provision in a Unit Operating Agreement, which the Commissioner, Executive Director and the President finds discriminates against parties who request joinder. The Commissioner, Executive Director and the President will give notice and an opportunity to be heard to the Unit Operator before modifying the Unit Operating Agreement.

ARTICLE 21: DEFAULT

21.1 The Proper Authority may determine that failure of the Unit Operator or the Working Interest Owners to comply with any of the terms of this Agreement, including any Approved Unit Plan or Plan of Operations, is a default under this Agreement.

21.2 The Proper Authority will give notice to the Unit Operator and the Working Interest Owners of the default. The notice will describe the default, and include a demand to

cure the default by a certain date. The cure period will be at least 30 days for a failure to pay rentals or royalties and 90 days for any other default. Failure to cure within the specified period is a material breach sufficient to terminate the Agreement.

21.3 If there is no well capable of producing Unitized Substances in Paying Quantities and a default is not cured by the date indicated in the demand, the Proper Authority may terminate this Agreement after giving the Unit Operator and the defaulting party notice and an opportunity to be heard. The Proper Authority will give notice, by mail, of the termination, which is effective upon mailing the notice.

21.4 If there is a well capable of producing Unitized Substances in Paying Quantities and the default is not cured by the date indicated in the demand, the Proper Authority may seek to terminate this Agreement by judicial proceedings.

21.5 This Article's remedies are in addition to any other administrative or judicial remedy provided for by the Lease, this Agreement, or federal or State law.

IN WITNESS OF THE FOREGOING, the parties have executed this Kenai Loop Unit Agreement on the dates opposite their respective signatures.

WORKING INTEREST OWNER

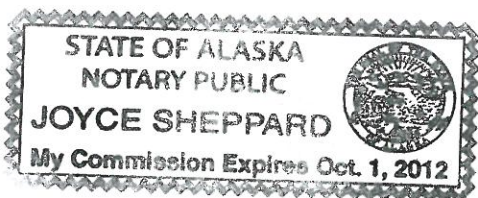
By: **Buccaneer Alaska, LLC**
Mark R. Landt
Vice President, Land and Business Development
952 Echo Lane, Suite 420
Houston, TX 77024

Date: 8/27/2012
Signed by: [Signature]

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

This certifies that on the 27 of August 2012, before me, a notary public in and for the State of Alaska, duly commissioned and sworn, personally appeared Mark R. Landt known to me to be the person described in, and who executed the foregoing agreement, who then after being duly sworn according to law, acknowledged to me under oath that he executed same freely and voluntarily for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day and year in this certificate first above written.



Joyce Sheppard
NOTARY PUBLIC in and for Alaska
My Commission Expires: 10-1-12

APPROVED on this ____ day of _____, 2012, by _____,
Commissioner of State of Alaska, Department of Natural Resources.

APPROVED on this ____ day of _____, 2012, by _____,
Cook Inlet Region, Inc.

APPROVED on this ____ day of _____, 2012, by _____,
Alaska Mental Health Trust Authority, by its agent: Trust Land Office, Executive Director.